TO: Secretary Paige
FROM: Theresa S. Shaw, Chief Operating Officer, Federal Student Aid
RE: FSA Weekly Report
DATE: March 10, 2003

THE WEEK AHEAD

School Partnership: On March 9-10, the Dallas Case Management Team co-hosted the Region VI Advisory Council of Private Career Schools Conference in Dallas. The theme was "Career Education: Training for America's Future." The conference was designed to strengthen the relationship between the Case Team and the proprietary schools, which includes business, medical, computer, and cosmetology schools. More that 200 people pre-registered.

IRB Charter: The final meeting on the Investment Review Board (IRB) process is scheduled for March 11. FSA met with OM and OCIO on March 4 concerning the IRB charter and agreed with the proposal. The next step was a review of recent suggestions by OCIO for additional changes.

KEY NEWS

PROGRAM INTEGRITY

"Sting" Results in Arrest: On February 27, OIG agents arrested a woman in Memphis as she picked up a bogus student loan refund check in a "sting" coordinated between FSA and OIG. On January 21, Student Credit Management received a call from the Kellogg Company questioning an almost $9,000 student loan debit made from their payroll account. More in-depth review indicated that apparently the same individual, an unauthorized user, had made numerous other debit attempts, dating back to August 2002. Working with OIG agents, FSA monitored several more debit attempts by the individual in January and February. At the request of OIG, Student Credit Management then emailed the borrower and asked her to contact our office to verify her account information. When she did, agents closed in on her, watched her pick up a bogus payment from a P.O. box, and arrested her.

On January 22, Student Credit Management implemented a daily review of all electronic debits with a "code R10" indicating "customer advice not authorized" (i.e., potentially an unauthorized user). About 40-50 of these occur each day and each account is reviewed for suspicious activity. We will continue to work closely with OIG.

Guaranty Agency Due Diligence: FSA Financial Partners Channel staff are working with NSLP, the Nebraska Guaranty Agency, on a due diligence issue on loans made by Security Bank. For a two-year period, the bank has failed to report loan information to credit bureaus. This could impact reinsurance on $60 million worth of outstanding student loans. A proposed position, outlining actions that could be taken, is being developed for FSA executives to review the week of March 10.

STUDENT AID OPERATIONS

2,000,000 and Counting: On March 4, we received our two-millionth online FAFSA for the 2003-04 Award Year that began January 1. We hit the two million mark one month earlier than last year. Web filings are tracking 47.9% higher than the same time last year. We expect this to be a record-setting year for Web filings and project almost 60% of the applications will be online.

1-800-4-FED-AID Sets New Record: During the week of February 23-March 1, our toll-free information call center answered 210,630 calls—the highest volume ever during a single week. This surpassed the previous record of 201,467 calls during the week of August 11-17, 2002. Almost 18% of the calls were from California, which had a state aid deadline of March 3.

2004-05 FAFSA: On February 28 the Secretary's Office approved the draft 2004-05 FAFSA for publication in the *Federal Register*. The draft should appear in the *Federal Register* on March 7. FSA has approved the test plan and procedures for the FAFSA usability test. Sample FAFSAs are expected to be ready for usability testing sometime this week.

Pell Grant and FSA/CFO Interface Issues: Pell Operations staff continue weekly meetings with FSA/CFO and GAPS in an effort to improve the processing flows between the Pell Systems, specifically COD for the 2002-03 Award Year, and RFMS for prior award years. Staff have approved a test of the first Administrative Cost Allowance payment that Pell Operations plans to issue this month. Staff members are actively working to resolve tracking and monitoring problems.

New Account Established: The new Student Aid Administration (SAA) account has been set up. The Budget Execution Team is planning this budget and making all necessary changes to what was the Program Administration accounts. The new account is, for the most part, a combination of what was in FFEL and our portion of Program Administration. There will not be any additional Program Administration money this year.

Disaster Recovery Exercise: A successful Business Resumption exercise for the Direct Loan Servicing Center in Utica, New York, was conducted the weekend of March 1. The recovery exercise included the loading and restoration of the FILENET/Panagon application at the Sungard facility in Wood Dale, Illinois, and Carlstadt, New Jersey; the establishment of a communications link between the ACS-GS Rockville Computer Center and Carlstadt, New Jersey; and the resumption of general business functions. Each of the call centers in Utica and Bakersfield, California, has a separate communication link to the Rockville Computer Center.

EZ-Audit Testing: On March 5-6, the EZ-Audit Team conducted User Acceptance Testing with members of the Case Management Teams. EZ-Audit is scheduled to go live on April 1. The new Web-based system allows schools to electronically submit their financial statements and compliance audits and will replace an old manual process.

IT SECURITY

Security Threat: On March 3, there was a public announcement about a potential security threat to servers with Sendmail and SNORT applications. These are commonly used programs, and our analysis found the Virtual Data Center (VDC) had 98 servers with Sendmail applications

and no servers with SNORT applications. On March 5, the VDC successfully implemented patches to 95 of the servers. They disabled the Sendmail functionality on three of the servers.

ED COLLABORATION FOR IT SOLUTIONS

Consolidated Data Center: OCIO has developed a draft Statement of Work (SOW) for restructuring ED's data center. FSA CIO worked with OCIO and contributed to the proposed statement. The process to distribute the SOW, receive and evaluate proposals, and award the contract is expected to take 45-60 days.

IT SOLUTIONS

Form 2000 Enhancements Status: The business case for enhancements to Form 2000, required of Guaranty Agencies, is completed. Staff are completing the final elements of the package needed to take the project before the Investment Review Board. Work is proceeding quickly because aspects of the project are time sensitive—the enhancements need to be made promptly so that we can maintain our clean audit.

CONFERENCES

2003 Spring Conference: A total of 893 people attended the 2003 Spring Conference held March 5-7 in Kansas City. Participants represented more than 419 schools from 48 states, Puerto Rico, Dominican Republic, Canada, and the Virgin Islands.   The theme of the conference was Program Integrity.

FSA CIO Software Developers Conference: On March 4, new Acting CIO Jerry Schubert hosted his first Software Developers Conference in Kansas City. About 60 people attended. Topics included FSA's data and Web service strategies, XML and the Common Record, the Master Promissory Note, FSA processing for 2003-2004, updates on FFEL, and the Postsecondary Electronics Standard Council (PESC). We got useful feedback on our data and Web strategies, and evaluations indicated the topics were valuable and informative and the presenters were knowledgeable in their subjects.

ON THE HORIZON

Preparing for FY03 Audit: FSA CFO is planning to meet with key contacts throughout the organization to prepare for the implementation of audit items needed for the FY 2003 audit.

GAO Briefing on Enterprise Architecture: On March 17, OCIO and FSA CIO are scheduled to jointly brief GAO on ED's Enterprise Architecture (EA). The objective is to demonstrate integration through a common architecture across the Department. We plan to show our progress and communicate key aspects of ED's future direction.

CONTACT INFORMATION

Please contact Karen Santos Freeman at 377-4001 with any questions.